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SUBJECT: Report of Staff Visit (9 - 13 September 1963)
"C" and "L" Programs - Boston, Mass.

PERSONS PERFORMING VISIT:

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PERSONS CONTACTED (Primary):

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1. BACKGROUND:

a. Project Depot is called upon to perform certain Property Administrator functions in behalf of Project Headquarters. As such, it is the government activity responsible to the Contract Administrator (Project Headquarters) for reviewing a Contractor's use and care of government furnished property (GFP) and the contractor furnished property (CFP) that is charged to the contract.

b. Project Depot representatives evaluate and test the Contractor's property accountable records to determine that the records and procedures are adequate and the system employed properly reflects the status of property assigned to the contract.

c. Prior to accomplishing the above actions, the following basic requirements would have been met or performed by the affected activities:

(1) An initial determination would have been made of all GFP/CFP at the Contractor's facility from past property transactions and a master property listing published by Project Depot. The Contractor and Depot would each maintain copies of the listing.

(2) All property transactions affecting the master listing would have been coordinated previously between the Contractor and Project Depot. Immediately preceding a survey visit, Project Depot would have updated the master property listing and prepared new copies for use during the survey visit.

d. Upon completion of verification actions during the visit, the Contractor would sign copies of the Depot listing and retain other copies for his files.

2. FINDINGS ("C" Operations):

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a. Initial discussions were held with [] ITEK. Also in attendance were [] The ITEK property accounting records were made readily available for review by the Project Depot representatives. Attached is a photocopy of the card format used by ITEK for the control of GFP/CFP assets. The following are highlighted observations:

(1) The accounting system employed by that activity for internal control of property was considered excellent.

(2) Methods for marking and tagging of property to correlate with the property records were also excellent, as was the care and usage of the equipment concerned. Mention was made that ITEK is paying approximately \$4 a square foot for storage of excess and residual materials and associated records.

(3) A monitored system of in-house controls was being exercised that encompassed the low-cost items in the "nice-to-have" or pilferage-prone categories. This is a Contractor's prerogative and an excellent practice. It was mentioned that Project Depot, in its overall management practices for GFP/CFP, will terminate accountability from master property listings: (a) expendable low-cost hardware, (b) those components that become incorporated into a major end item of equipment (with the Contractor retaining in-house distribution records) and (c) line items that bear an acquisition cost of \$50 or less.

(4) Aside from a GFP listing on a few line items for the "O" program, the Project Depot has no master property listing that reflects all assets at ITEK on the "C" program. Consequently, the Project Depot representatives, during the course of the visit, were unable to certify that the ITEK property records truly indicated all equipment that has been issued or charged to that activity. As noted above, the accuracy of the ITEK records is not challenged. Shortcomings stem from the fact that on the "C" (and "L") programs, Project Depot does not possess the complete information needed in compiling the master property listing.

(5) ITEK representatives expressed willingness, pending further concurrence by their management staff, to prepare IBM printed listings and/or IBM card decks on the GFP/CFP in possession of their activity. These machine products would be furnished to Project Depot and a system established by these two activities for the future management of the assets.

3. FINDINGS ("L" Operations):

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a. Primary discussions were held with [] in his facility. [] identified the internal distribution and controls that were being applied to his property, in addition to making his property accounting records readily available to the Project Depot representatives. A parallel situation existed at this facility. Despite the excellence of the ITEK accounting system maintained, the Project Depot representatives did not possess a master listing with which to verify the account.

25X1A b. Project Depot representatives had copies with them of material listings by which, in some instances, assets had been transferred to ITEK from other programs or activities (Ref: Hqtrs Ltrs OSA-1132-62, 20 Sep 62, and OSA-11405-62, 28 Sep 62, as examples). [] was familiar with certain of the transactions and noted that assets had been received at ITEK, where so identified by him. He further explained the internal applications that had been made of the property. It was noted that the facility had a considerable accumulation of residual material on PO 28-607-33(600)563 that was awaiting disposition instructions. It was further noted that the bulk of the material involved in the transfers consisted of expendable categories of hardware. A need exists also for consolidation of the GFP/CFP assets into a master property listing and the establishing of a system between Project Depot and ITEK ("L") for their future management.

25X1A c. [] expressed willingness to assist Project Depot in the further review of the material transfers and in the arriving at a composite master property listing that would meet the objectives of the Property Administration instructions.

4. RECOMMENDATIONS:

a. If Project Depot is to realistically act as a Property Administrator to the Project Headquarters Staff on the "C" and "L" programs, the functional designations of "secondary accountability" or "secondary responsibility" should be dropped. These appellations tend to place Project Depot's role in an unwieldy "gray area" of responsibility. (ACTION ACTIVITY: Project Headquarters)

b. If, however, Project Depot is to continue in its present (secondary accountability) actions with these programs, it should be limited to maintaining jacket files and transitory correspondence only on the material transactions. (ACTION ACTIVITY: Project Headquarters)

c. That Project Depot request Security representatives ascertain the exact types and degrees of clearances required in-house at Project Depot in conducting Property Administrator functions on these programs. Clear guidelines have not been furnished as to the interrelation among the programs and the applicability to Project Depot personnel. (ACTION ACTIVITY: Project Depot)

d. Project Depot has access to reserve and excess Industrial Production Equipment throughout the country. It has provided several million dollars worth of these types of equipment for other programs. Project Depot can provide a like service on the "C" and "L" programs with little or no added costs to the Government. (INFO ITEK)

e. Recommend approval (with concurrent notice to Project Depot) be given to ITEK for recapitulation of the GFP/CFP assets by IBM techniques. Upon receipt of this advice from Project Headquarters, Project Depot will coordinate directly with ITEK as to the format to be used and the subsequent management actions that would be required. (ACTION ACTIVITY: Project Headquarters)

f. During this visit, detailed inquiry into methods used by ITEK for locally distinguishing and assigning GFP/CFP among its various contracts was not attempted. From limited discussions held on the subject, it was felt that sufficient basis existed for considering the transfer of all GFP to a facilities type contract. A facility type contract would prevent delays in property settlements, should a termination occur on any particular contract assigned to that activity. (Special note to Hqtrs LOGS/CONTRs STAFF: Similar comments expressed in WAQM-0907, 5 Jun 63, concerning visit to the "West Coast" facility.) Recommend further review by Project Headquarters on this area of property management and its overall application to the programs mentioned herein. (ACTION ACTIVITY: Project Headquarters)

g. ITEK personnel mentioned some items of IPE which Depot representatives planned to review for availability from reserve stocks and excess programs. Upon completion of these research actions, ITEK will be informed of status and the availability. (ACTION ACTIVITY: Project Depot)

5. OVERALL SUMMARY OF VISIT:

- o ITEK accounting procedures adequately meet or exceed the desired standards.
- o Project Depot needs clear-cut guidelines for administering these programs.
- o Additional actions required of all concerned for developing master property

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c.c. to: Hqtrs Staff

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Approved:

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Itek Corporation
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